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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: March 8, 1967

SUBJECT: United States-Italian Aviation Negotiations, Washington, D.C.
Tenth Session (March 8, 1967; 3:20 p.m.)

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Mr. Loy: Mr. Ambassador, we indicated yesterday that we were prepared to deliver to you a document which constituted a proposed route exchange. I said in that connection that we were operating somewhat in the dark as to your priorities. But considering that we had been at it for about nine to ten days, we felt that that might be a productive step. I also outlined the criteria and considerations that we had employed. We have taken into account, to the maximum extent we thought we could, your requests and the things you have indicated are so vital to your needs. We have been working on this problem ever since we met yesterday, and we have a document which we propose to give to you which we think meets these needs. Although we have deviated from some of our concepts, we have tried to stay within the one which we said would guide us very strongly. That is the essential belief that what we seek is an exchange of values or rights that are approximately equal.

US Has New Document to Present

Before distributing the document, I ought to say two things. First, the routes that we describe are intended to cover passengers, cargo and mail separately or in combination. I have said this before, but I want to reiterate that it is our intention in accordance with your proposal to discuss with you subsequently whether it is in our mutual interest to add

New Proposals Cover Also Cargo Services

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certain routes for cargo purposes only; that is, those routes would not be intended to transport passengers. The second thing I want to say is that we are, as I explained yesterday I hope clearly enough, reluctant to grant to any country in Europe--I am now speaking of geography--any rights beyond the US, regardless of values. I am very serious. That is and has been from the time I can remember a rather fundamental aim of the US, to limit routes which would rely heavily on fifth freedom traffic. The route proposal we make to you today totally overruns our reluctance and proposes for Italy very substantial rights beyond the US. I hope that it is understood by you, Mr. Ambassador, and by your Delegation that that is rather hard for us and indeed to be quite honest has caused a good deal of heated discussion among our Delegation and with the US interests.

New Proposal Gives Beyond Rights

It is fair to say, in spite of the proposal we make, that we still believe that the remarks I made yesterday about the lack of wisdom of granting such a route apply. But we are nearing the end of a third week of discussion and our feeling is that we must go far if we are going to try in good faith to meet essential needs. We expect you to go rather far in meeting ours and we believe most sincerely that the document that we hand to you today accomplishes that objective. Specifically, it is based in terms of value on the current operations of Alitalia, adds very substantial additional values, and provides for Italy extensive rights beyond the United States. We have to say quite honestly that it seems to me that when we have done that, we have done just about all that in the area of routes other than to agree on some possible cargo routes that we can be expected to do. We have added to the value and we have granted valuable rights beyond the US. We have the document. I guess this is US Document No. 5. You might mark it that way. (See Appendix B.)

New Proposal Based on Values

US Document No. 5

Ambassador Capomazza: I think we need a few minutes--10 or 15 minutes.

Mr. Loy: Could I just add one more comment before we recess. One of the operations that would be possible in this proposal is an operation from Italy via the UK to Miami. Now there is at present no service between the UK and Miami--at least, no nonstop service. The UK/US aviation agreement contemplates that there would be service inaugurated--if we want to inaugurate it--by January 1, 1970. We would

Route Via London to Miami Must Be Deferred

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not be in a position to grant this right to a third country carrier (and this would have to be reflected in the agreement) before the US or UK could operate this route. So, that route would have to be deferred until after January 1, 1970.

Ambassador Capomazza: What about beyond over the Pacific via intermediate points to Italy. Does this mean touching any American cities? (Mr. Loy replied, "No, no other US cities.") After your observation--I don't really think I need 10 or 15 minutes to comment on your proposal. You are asking your friends, the Mexicans, whether we can go the other way beyond Mexico. Besides I told you we would never accept time limits for Italy even if there are in fact time limits. Service beyond through the Pacific cannot be inaugurated by Alitalia immediately so that would cause delay. But for reasons of principle, we wouldn't accept a delay.

Italy Doesn't Want Deferred Rights

Mr. Loy: Could I interrupt? I am not sure I understood you. Let's make clear that I am talking about the operations between the UK and Miami. That intermediate operation is the only point I am talking about.

Ambassador Capomazza: That means we could fly straight to Miami.

Mr. Loy: You could also fly via Portugal or France. If you would prefer, we can take United Kingdom out. I am only talking about the fact that there is no service between Miami and UK authorized today. I am not suggesting that Route 4 be deferred at all. I am just suggesting that the service between the intermediate point of UK and Miami be deferred. I am not very anxious to talk about points to be agreed on later either. If you would like to discuss this, we could withdraw for a few minutes. I have some other thoughts concerning the cargo matter simply because I want to get to talk about that if we can. I don't think I need spend much time otherwise on this at the moment if you would like to consider it.

Route Can Be Operated Without London

Ambassador Capomazza: I think it would be useful if I could have time to consult with my delegation. I can say immediately, however, that this is an incredibly deceiving document. The burden is being passed to the Mexicans; in other words, they have to provide for what we expect

US Document Passes Burden to Mexicans

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from the United States. I don't know whether this is such a good idea, and whether this would be very much appreciated. You say we cannot have the intermediate point of UK until 1970. We hear so much that the services have to be in the public interest. We are being schooled every day on these principles.

Mr. Loy: Let's take out the UK from Route 4.

Ambassador Capomazza: I wanted you to have my personal reactions before I have spoken to my people. Let us recess.

(Twenty Minutes Recess)

Italians Very Disappointed with US Offer

Ambassador Capomazza: Gentlemen: I reiterate our strong disappointment with this Document No. 5. I don't know if I am able to speak with the eloquence and the cleverness of my friend Mr. Loy to cover up my thoughts with elaborate and kind words. Our disappointment, I say, and I state, is very very serious. We have not asked beyond rights beyond Mexico City but beyond rights beyond Los Angeles and/or San Francisco toward Tokyo. The route schedule that we indicated towards Mexico City touches other points in the United States and goes not only to Mexico but to Panama. We are asking for eight points in the United States, and not 4. In this proposal you have abolished the coterminals, and specified exactly the intermediate points, which you refuse to do for us on your schedule. This is an imbalance, whatever its value. We cannot agree to this imbalance. To this you have added two colossal southern routes going through Italy. Routes which definitely deteriorate the situation existing in the previous agreement. If the lack of specificity of the beyond points could previously leave some doubts, there is no doubt now that you want to go to South Africa and Australia. For the second time I must repeat we will not be able to concede those two routes.

US Proposal Is Unbalanced

In general, we are not prepared to accept undetermined points. We consider that when the points are undetermined, you cannot make a balance. You have proposed to us a balance based on past operations; that could be done even, if we are not agreed on the significance of the figures. But how do you figure out the potential balance of your inclusion of these two enormous routes and the non-determination of points of your routes through Italy. I don't know. This is a problem of mathematics rather than a problem of logic.

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In my responsibility towards my government and country I don't want to say more. I think that it would be appropriate for us to take a breathing spell and go back to our country and we could meet there with you any time you like. We are ready to decide now to agree on dates that would suit you best. We are thinking of leaving the day after tomorrow. We have to make a few preparations before we leave. We do that with great sorrow. Personally, I am very greatly disappointed. Someone in this room is taking a great responsibility toward his government and it is not me. It seems that the only way for the US carriers to fly in the sky is to squeeze Alitalia. Only in this way can the US carrier arrange to fly around the world and to settle then balances and their operations. These are fatal and strange coincidences, and not within the framework of our good and friendly relations. I am ready to speak more with you whenever you think better and more suitable for you to come and meet us in Rome. The weather is warm, spring is in full bloom, and you will find it very agreeable. Even if we will fail to agree on aviation, we can agree on the beauty of other things. Thank you.

Better to Take Breathing Spell

Alitalia Is Being Squeezed

Mr. Loy: Mr. Ambassador, I would be less than honest if I didn't tell you that your comments are extremely disappointing. We made a very serious proposal. It introduces on the Italian side of the ledger very substantial new values. I would say that surely that package that is represented by our Document 5 is worth in annual revenues substantially more than $65 million. In our opinion it more than matches the values that we get out of the proposal regarding US routes in our Document No. 4. I don't understand you to dispute that. Maybe you will, sometime, but you haven't yet. We would be prepared to discuss and defend this proposal on that basis. I do not understand your remarks concerning intermediate points.

US Offer Worth over $65 million

Ambassador Capomazza: I made a mistake; yesterday I said you mentioned intermediate points and I should have said intermediate countries. You determined the countries for us. It is not exactly what we asked; it involves a larger geographic area.

Mr. Loy: I must tell you that it is hard for me to understand the proposition that this makes evaluation impossible. We don't find it impossible, and we don't see why it is impossible. In fact, that is very difficult for us to see quite aside from the general question of whether

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we are open or precise in our intermediates. We have, as far as you are concerned, been precise. This business about points versus countries is difficult for us to comprehend.

Now you talk about our route proposal having certain new items not presently served which you say deteriorate the present situation. We don't think they deteriorate them when matched against the proposal we have suggested for you. We are prepared to talk about what the value of the route to East and South Africa is. We can talks about whether assumptions are right or not, and whether we think it has a value and the same is true of Australia. We think that when matched against what we have just proposed for you, the balance of these packages does not deteriorate; indeed it comes out somewhat ahead for you.

Data Shows Alitalia is Not Being Squeezed

We can neither accept, nor to be quite honest, can we take very seriously this business about the squeezing of Alitalia. In 1958 the US carriers had 73% of the market between the US and Italy and Alitalia had 27%. Alitalia has steadily increased its share of the market and in the last 5 years (1961-65) it carried more passengers between the US and Italy than both US carriers combined. In cargo the situation is even more dramatic. In 1965 over the North Atlantic Alitalia had 316% more cargo traffic than it did in 1961.

Ambassador Capomazza: Definitely a well run company.

Alitalia Out-carries US Carrier on Cargo

Mr. Loy: And not a squeezed company either. It is completely and fully able to take advantage of its opportunities. The comparable percentage increase of US carriers from 1961 to 1965 in cargo revenues is 173%. In 1965 Alitalia carried about 59% of all the air cargo between the US and Italy. So we absolutely reject the notion that there is a history of squeezing Alitalia out of the ability to earn very substantial revenues in this market. We just can't work on that basis.

Now, you indicate that the route proposal we have made today does not contain all of the requests that were contained in your list. That is true. First, just as you indicated that you find it quite difficult to grant certain routes, I hope we have made it clear that we find it equally difficult to grant certain routes to you. Furthermore, we believe very seriously that we have a package here that is equivalent, and we have not heard to the contrary. In addition, we have gone through a good deal of contemplation on our side and we have provided for Italy a route beyond the US going all

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the way back to Italy. That, I suggest, considering our discussions in past years is substantially more than could have been expected at the commencement of these talks. So I don't think that I am the least bit unreasonable when I ask that you consider once again the package that we have proposed. Weigh it, and value it. See whether you can honestly say that the values contained therein favor the US. We really don't think you can. So that is the first thing we would ask of you.

Should Not Recess Without Discussion of Other Issues

Now, the second thing, Mr. Ambassador, is your suggestion that perhaps we ought to adjourn and resume in Rome at some suitable time. Well, I don't know what we would say to each other in Rome. Certainly on the basis of this record, I don't think we can consider new route proposals on our side. We would have to insist, it seems to me, that either we get some discussion of this route proposal or, if you think that is not appropriate at this time, then we talk about some of the other issues that we face. We have spent about two and one-half weeks on routes. I think both of us are somewhat disappointed where we stand. But we propose very seriously that, whatever else we say on routes, we not adjourn this particular series of discussions without a discussion of other issues. As we said right in the beginning, we don't have routes unless we have an agreement. At the moment we don't have any notion of what the agreement ought to read like. Even if we can't resolve it all in a few days, it is absolutely imperative that we explore those issues before any recess.

My feeling is that if we broke up now we would commence in Rome at exactly same place where we would commence tomorrow afternoon, without any opportunity in the interim for either of us to consider other views that remain undiscussed. I dont see any advantage in this. It seems to us that whatever may be the wisdom of talking about routes, our first job is to negotiate and discuss all parts of this agreement. If we have gone as far as we can on routes, then we ought to turn to something else. I guess it is the view of the US Delegation that we have not yet done our job in such a way that would make it wise to break off these discussions and adjourn for a future time. I would value your advice on that.

Ambassador Capomazza: My advice is this. First of all you said to proceed on this question of value. You say we should make an evaluation of the routes. That would be fine for three companies doing business together. But we are not companies. We are two governments. We think we h[illegible]

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another notion about values. This is our notion that in some way, you are penalizing a company which is better run and follows a certain policy, a more direct policy. Another company because of extensive interests and great route structure may be able to afford to lose on the flights on their lines. Like a rich man who can afford to sell his house for a few cents. This is a US Government discussion with the Italian Government. This question of value could not be 100% excluded from this discussion. But it cannot be the sole basis for discussion.

Values Should Not Be the Only Basis

I do not propose this intermission with the idea of a breakdown in the talks. But if we start within a week or ten days we will be more rested. Some further thought on both sides may permit us to approach negotiations with a new opportunity. This negotiation is not a third degree in which we should be pushed and pushed and to keep on and on until we confess our crimes. This is a negotiation among friends. We took an engagement for three weeks. We could even come here if you don't want to come to Rome. But a recess would give us a breathing spell and we might understand each other a little better.

Recess Is Not Breakdown of Talks

What did you say about capacity when we met in Rome. You said we must die by Bermuda----then, dear friend, we must die by routes. We don't want to start discussion on other points; routes are the agreement. The Italian Government gives tremendous importance to the routes. It wants Alitalia to have the same opportunities. If Alitalia is so well run, that is perhaps too bad. But it should have possibilities that other countries have.

Routes Are All-Important to Italy

At the same time that you have proposed a colossal deal for yourselves, going all around the world, you have offered us Miami to Mexico, and thus you pass the bill to the Mexican Government pay the debt to Alitalia. We have made some mistakes; now, you are asking us to accumulate other mistakes. You must think poorly of us. Perhaps after a recess you will see the problem more clearly. Then if you come to Rome, we can start at this point. I am not in the bazaars of Constantinople buying an Ankara rug. I can't expect that tomorrow morning you will raise this five cents and the next day another five cents. I am here to discuss route schedules. Perhaps, in fifteen days we could approach this in a different spirit. How did you arrive at evaluating your route offer at $65 million? Would you include a few oil wells?

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Mr. Loy: No, but you can carry the people who get wealthy from oil wells.

(At this point about ten minutes passed while the two delegations held separate conferences.)

How US Offer Valued

Mr. Loy: Mr. Ambassador, at the very end the . you asked how we valued our offer at something like $65 million. I think that deserves a reply. Essentially, what we did was to start with your historical operations and used actual data. We adjusted those figures to reflect the increase in traffic from 1965. We would obviously expect to do the same on our side to bring our data up to current estimates. We have made a small adjustment to cover the additional intermediate points in France that you have asked for. The other thing that we have done is to try to value the new rights from Italy to Miami and beyond to Mexico and beyond as described in Route 4. It is our estimate that the value of that route as far as Mexico City is roughly worth in the neighborhood of $8.5 million. The rights beyond are difficult to compute, and we have not really tried to compute them very firmly. But we have not valued them very highly either. We have added a few million dollars simply because at the moment they are difficult to compute precisely. They are clearly worth more than that. But at this stage we have not found it necessary to get down to 100,000's.

Values Are Standard Basis Between Governments

Now let me say that we are not singling out Italy when we say let us discuss this matter in terms of values. We, as a government, consider values a fundamental issue with other governments, and we consider it proper for us even though we are a government rather than an airline. It seems to us that that is the kind of negotiation we are in. We are discussing matters of economic and commercial values.

How Does Italy Value Routes to Africa and Australia

Now, we have got to talk about routes or we have to talk about other things. You have indicated that there are parts of our route package that give you a great deal of trouble. You have mentioned two different aspects of that. One of them is the route to Australia and the other is the route to East and South Africa. We have told you why we consider them important to us, and why we want them. If you find things so difficult, we would be interested in having your estimate of what these routes are really worth. If you find that part of our proposal so difficult, maybe you

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want to make another proposal. Obviously, as we lose opportunities in any proposal you make, we lose our ability to grant equivalent rights to Alitalia. I think to some extent we may lose flexibility all around.

It seems to me that unless we search each other out on these questions, we haven't gone very far. So in this sense we invite you to consider again whether the proposal we have made today isn't in your interest to accept. If not, make any other proposals you want, and we would welcome that. Now, if you find you are not in a position today to go ahead on any discussion on routes, then I have to be very honest with you and say that it is very difficult for us to see what is the advantage of a recess and what's in it for us if we come to Rome. If you want a recess in terms of a personal breathing spell, and that may be good for us all, then I would say let's think of that recess as simply a breathing spell. Let's continue this session right here in Washington after a few days or a week, or whatever you think is desirable. We invite you to consider that. If, however, you think of this as a closing of a chapter and leading to a new chapter, then we are very insistent in saying that we don't think we have closed this chapter until we have some discussion of matters of vital concern to us. It becomes increasingly difficult for us to go on and discuss these route questions when we have nothing on the horizon that leads us to believe that we are going to discuss, or much less to agree, on other questions particularly vital to us.

Can Take Breathing Spell Here in US

So my suggestion is one of alternatives. We could discuss routes some more and we would be pleased to hear what you think is right and wrong about our proposal. Second, we might take a breathing spell for personal rest and recreation, and stocktaking, for a short time and meet again here after a few days or a week. Third, if we are going to consider this as a closing of a chapter and a new chapter to commence in Rome, then we urge you most sincerely to discuss with us other elements that are part and parcel of our negotiations.

Ambassador Capomazza: First of all, when I started to get involved in this very disagreeable subject, I spoke and had contacts with your American Embassy in Rome and then later with you. Even in our exchange of letters it has always been pointed out that this would be neither an easy negotiation or a quick one. When I asked Mr. Mellon if he would come with us, he said he could not. He said this is a thing that is going to last a long time. We were

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prepared for a long negotiation. We wanted to have the beginning of the negotiations in Rome. Personally, I didn't care whether in Rome or in the US. I found that there was a certain resistance in Rome to come to Washington. Whether right or wrong, the Italian Delegation in the past had the impression that it was put under pressure to stay for long times in Washington. So they felt this time that before starting any conversations, we should have one session in one place and one in the other. We wanted to have a rather long session in Rome. Then you said wanted only a preliminary session in Rome. As I was starting for the first time in this job, I agreed to have Mr. Loy in Rome for a preliminary session. But I also said we should alternate between Washington and Rome. We are not signing a peace treaty. This is an agreement among friendly countries. If we really thought we could reach an agreement in another ten days, I would stay.

Italians Are Under Pressure In Washington

I think it is more sensible to recess now and have a session in Rome, and, if that isn't sufficient, come back here again. Perhaps, we may sign an agreement in Washington, if we reach this point. But we cannot stay here three months. Mr. Caruso has another job and you yourself have other jobs. You asked us to extend to three weeks. We said originally 2 weeks. Friday will be the end of three weeks. We said that if we saw a green light on Thursday of the third week, we would say O.K. and not go back. Unfortunately, we don't see this green light. Rather than keep on this dead point, it would be in the interest of friendly negotiations, if we accept this recess and agree to have a session in Rome then perhaps the following one here.

Could Have Third Session in Washington

Then, about the other issues. Specifically, we have to have a basis. To tell you quite frankly we do not consider this piece of paper, the route U.S. Document No. 5, a real basis on which to start work today or tomorrow. In 15 days we may discuss it. Right now, we reject this. We denounced. What do we get from you -- an offer of a route from Miami to Mexico City. Now, we have to go to Mexico to see if they give us Mexico City rights beyond in the Pacific.

Italy Rejects US Document No. 5

How can we discuss other matters that we are in total disagreement on. Only if we reach agreement on routes, we may approach others. About capacity, we have completely different conceptions. If we are to give in on something, then we must have some routes. You are imposing upon us a predetermination of capacity. If we cannot fly to Los Angeles and beyond, if we have to wait to operate through London to Miami until 1970, what is this but a limitation of capacity presented in a different way. You impose on us route

US Route Offer Limits Italian Capacity

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limitations, and then you insist on capacity freedom. Perhaps, if we have the same routes, perhaps we can discuss your capacity ideas.

Mr. Loy: Perhaps, we could take a 10-minute recess and then we will consider where we will go from here. We will withdraw and be back.

(Thirty Minute Recess)

Mr. Loy: Mr. Ambassador, we have spent the last few moments taking stock of the situation, and particularly your suggestions that these discussions recess and that we continue them at a date to be agreed on in Rome. We have indicated why we feel that a recess at this time may be premature. But we are not out to exhaust either you or us and we are prepared to accept your proposition that these talks recess and continue in Rome. Now, in doing so, I have to reiterate some thoughts because I hope very much that you will be able to think about our feelings during the period of recess.

US Disappointed in Discussions

First, we are disappointed at the progress made in these talks. We believe that we have put a very serious route proposition on the table, and quite honestly we do not think that you have evaluated it. Your out-of-hand rejection seems to us to bode ill for the future. We have not said that this is the only route proposal for you that we could contemplate. We could substitute other cities in the US. We could presumably make changes. We have said before that we would welcome propositions from you in that regard, but that doesn't seem to satisfy you. We would say again that even the most elementary effort to add up the values represented by your proposed Document 2 shows that you could not afford it. It is out of the question. This is a question of values.

US Offer Would Make Up Imbalance

We are concerned that our route proposal was not evaluated. There was no effort to indicate that it does not make up the imbalance which you have suggested has existed. I think we know why; our proposal would make up that imbalance, even by your own estimates. Furthermore, after having heard for a considerable time about the need to fly around the world, when that opportunity was presented to you, all of a sudden it didn't seem to be very important. At least that aspect seems to have dropped right out of your thinking, if I understood your remarks. It didn't seem to be of any interest. I find that somewhat astounding. As far as we are concerned, we have made a serious route proposal which has done the two things which you have said were necessary

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to make up the imbalance you saw, and would provide a way to permit Alitalia to enjoy rights beyond the US. As far as we are concerned, that kind of realistic approach has not been reciprocated. We would very much urge that during the period of recess that you seek to find a way whereby either our proposal can be accepted or you make some other realistic proposal that we can consider on routes.

Other Issues Must Be Discussed in Rome

The third point I want to make is that we have followed your suggestion of talking about routes and we have as of now not talked about anything else. When we come to Rome, we will be prepared to continue our discussion on routes, but we must make it clear that we will not be prepared to leave Rome until, at least, we have put on the table our position on the other matters that we consider critical. That is true whether we have finished talking about routes or not. I say this, not because we are petulant children wanting to have our way, but because we have many issues that divide us. It is simply unacceptable that we meet for weeks at a time without discussing some of them. I am fully aware that you say that it is in the best interest of both of us that we keep our discussion on routes first. If that is true, that would be fine. If you find our route proposal acceptable, we can turn to something else. However, we simply do not feel that we can go through another session without putting on table our differences on other matters.

US Cannot Accept Services After June 1 Inconsistent with US Aviation Policy

We have a lot of work to do between now and May 31. We have made it clear that as of that date the current agreement is dead. You have made that very clear and we have said that we are not prepared to continue thereafter to operate air services between our two countries in a manner which would be contrary to some of the basic aviation principles that we believe important, including some of the very principles that we are trying to discuss. So we feel this doesn't permit us the luxury of another session in which these issues are brushed under the table. We hope that you will, as we will, spend some time between now and the time that we meet in Rome contemplating further these unspoken and undiscussed issues. We hope that you will find some way of moving toward our draft agreement. We assure you that we will consider not only your proposal but any others that we can develop. But we don't want to mislead you. Flexibility on this question is limited and our difficulty with your draft agreement is great--very great.

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I don't want to be misleading on the question of your text of the agreement and the propositions contained therein. I hope that we have made it crystal clear that under no circumstances could we accept that agreement, whatever else is true, even if we only have services from Milan to Chicago. We have responsibilities to our aviation interests. We have responsibilities as we see it to the public. We have responsibility vis-a-vis our aviation relations. That may seem harsh and it may seem blunt, but it is honest. With those remaining thoughts I would say that we would accept your proposition to recess these discussions and to meet again in Rome at a date that we would agree upon. We would continue at that time and I just would say again that we urge upon you in the most serious way we can that I hope you would reconsider the situation during the interim. Our great hope is that the next round of discussions will be more useful and will go farther than this round has. I think Mr. Rodriguez has some questions he may want to ask later on press treatment.

Italian Draft Agreement Not Acceptable to US

Accept Proposal to Recess

Ambassador Capomazza: In the name of the Italian Delegation I thank you for having accepted our point of view on the usefulness of a short recess. We are looking forward with sincere hope to our next meeting in Rome so that we can make this negotiation show some progress. I could say a few words on what you said about the routes, but I don't think that at this time it would be helpful and would not really bring in any constructive elements. So I think we had better leave this until we go to Rome.

I am aware that routes are the outstanding subject on our table and that this is not the only problem. I know the other problems are equally important to you and to us. In view of the hope that we can solve this problem by the 31st of May, we both sincerely want, naturally, to attack other problems. We are ready to do that when we see the question of routes progress more than in this last session. If you want to indicate some date which you think would be agreeable to you, we are ready to accept unless there should be some other engagement for some of us. We are ready to comply more to your necessities than ours. We would generally say we are ready to see you any time you can come to Rome.

Mr. Loy: Mr. Minetti and I both have to check our calendars a bit before we can reply to this and some of the others

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have problems. I wold not be prepared to suggest a firm date today, but could perhaps do that tomorrow. Do you have a preference?

Ambassador Capomazza: No, no specific preference. As soon as possible. We both need a few days, naturally. An interruption would not have any meaning, if we didn't have eight to ten days. I would say at least a full week.

Italy Wants to Resume Negotiations Soon

Mr. Loy: I think that is for us somewhat unrealistic. Our feeling is that probably the best date would be somewhat early in April, although we have to check some schedules. We feel we have to do some thinking and planning as well as having to check other commitments.

US Suggests Early April

Ambassador Capomazza: That is even better for us. The beginning of April would be all right. After Easter, in other words.

Mr. Loy: It is in that area that we are thinking of. We would like to be in touch with you on that tomorrow.

Ambassador Capomazza: I can come to see you tomorrow at whatever time you would like to suggest.

Mr. Rodriguez: We have had quite a number of inquiries from the press regarding the negotiations, and we have not given them any comments, but have limited ourselves to say that we were beginning negotiations and to give the composition of the delegations. I think there is going to be quite a bit of interest now that we are recessing on what has taken place and what we said. We feel that it is better not to have the negotiations conducted in the press. What do you feel might be given to the press.

What Should Be Said to Press?

Ambassador Capomazza: In general terms, I agree with you. You will be pressed to say something. I think we should limit ourselves to general terms. Naturally, we can say that we have encountered some difficulties on both sides, and that we have decided to meet again as was foreseen. We should not draw conclusions either way.

Should Make Replies on General Terms

Mr. Rodriguez: If you would like we could prepare some statement indicating that we have adjourned and that the session will be resumed some time later, perhaps indicating that this had been contemplated. We could show that to you tomorrow, and perhaps both governments could limit themselves

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to this sort of thing. We have Italian press reports that show that much more information has been available in Italy.

Italian Press Had More Information

Ambassador Capomazza: In Italy the press was handled by us rather carefully. I had to defend myself many times. The press, of course, is free in both countries. I saw an article in your Journal of Commerce, and there have been two or three articles in Italy.

Mr. Loy: We will prepare something. We will show it to you tomorrow.

Ambassador Capomazza: I don't think it should be a joint statement. Let's just agree on a text.

No Joint Statement

Mr. Loy: Is there any other business that we ought to take care of? All right, then we will recess and we will be discussing tomorrow with you an appropriate date for resumption of negotiations.

(The meeting was adjourned at 6:30 p.m.)

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[illegible] ORDERS - [illegible] EXERCISES

[illegible]

[illegible]	(1) MON. FEB. 20	(2) TUES. FEB. 21	(3) WED. FEB. 22	(4) THU. FEB. 23	(5) MON. FEB. 27	(6) WED. MAR. 1	(7) FRI. MAR. 3	(8) MON. MAR. 6	(9) TUES. MAR. 7	(10) WED. MAR. 8
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]		X	X	X	X	X	X	X	X	X
[illegible]	X	X	X LATE	X	X LATE	X LATE		X LATE		X LATE
[illegible]	X	X	X	X	X LATE	X LATE	X	X LATE	X	X
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X LATE	X	X	X	X	X
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]			X							X
[illegible]						X				
[illegible]	X	X	X	X	X	X	X	X	X	X

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	(1) [illegible] 2	(2) [illegible] 5	(3) [illegible] 33	(4) [illegible] 25	(5) [illegible] 37	(6) [illegible] 1	(7) [illegible] 3	(8) [illegible] 6	(9) [illegible] 7	(10) [illegible] 8
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X						
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X	X				
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X	X	X	X	X	
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X			X	X	X	X	X
[illegible]				X						
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X	X	X	X	X	X
[illegible]	X	X	X	X	X	X	X	X	X	X

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Proposed Exchange of Routes

The United States Delegation is of the view that the following routes would constitute a fair and equitable exchange and would enable the carriers of the respective countries to meet their operational requirements:

For the United States:

A route schedule as set forth in US Document No. 4.

For Italy:

1. Italy via intermediate points in the United Kingdom, France and Portugal to New York.

2. Italy via intermediate points in the United Kingdom, France and Portugal to Boston.

3. Italy via intermediate points in the United Kingdom, and Montreal to Chicago.

4. Italy via intermediate points in the United Kingdom, France and Portugal to Miami, and beyond to Mexico City and beyond over the Pacific via intermediate points to Italy.